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DIRECTORATE OF
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FAR EAST

The Vietnamese Communists appear confident that they are in a good propaganda position in regard to the impasse on procedural questions in Paris. Hanoi's spokesman there last week went beyond previous denunciations of US and South Vietnamese "delaying" tactics to charge the US with trying to postpone talks in order to strengthen its negotiating position through military pressure. He also alleged that the Thieu government is seeking to torpedo the conference and force the US to "prolong its aggressive war" as a means of clinging to its power and privileges. Military activity in South Vietnam remained at a low level again last week as Communist forces continue to regroup and resupply.

In Saigon, symptoms of the chronic ills that plague the Vietnamese body politic have become visible once again and President Thieu will probably have to step in to remedy the situation. The facade of unity that Thieu has so carefully built in recent months threatens to crack along north-south lines. Accusations were made by eight Lower House deputies that Education Minister Tri's assassination this week was the work of elements hostile to southerners, a thinly veiled attack on Vice President Ky and his northern supporters.

The Communists in Laos have turned the tables on government forces in the north, while in the south the enemy offensive has stalled following the battle of Thateng. Fresh North Vietnamese troops have arrived to stiffen the enemy in the north and large numbers of North Vietnamese still remain in position around the Bolovens area in the south.

In Communist China, preparations for the ninth party congress continue although contests for political power at the provincial level may cause some delays.

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VIETNAM

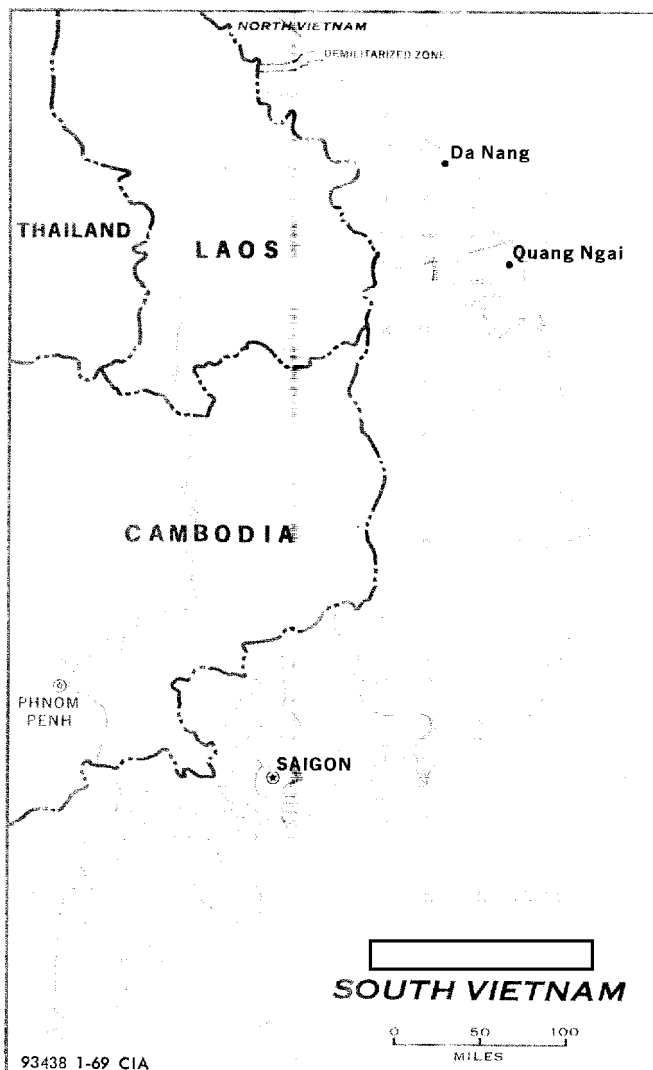
Military activity in South Vietnam remained at a low level again this week although the allies continued to seek out enemy troop and logistical concentrations. In much of the country, but centering mostly around strategically important areas, the Communists continued to mobilize combat forces and

supplies in preparation for renewed offensive activity.

Combat preparations by many Communist main and local force units continue in key sectors. In southern I Corps, the North Vietnamese 2nd and 3rd divisions appear to be readying for combat, although avoiding contact with allied sweep operations. Captured prisoners and defectors state that the enemy is still planning new attacks on important allied targets, including Quang Ngai city and Da Nang, in the near future.

In the provinces surrounding Saigon, the Communists continued cautious and deliberate repositioning of units toward forward staging areas near the capital. Movements of these forces are accompanied by sporadic shelling and harassments along known avenues of approach from the enemy's redoubts along the Cambodian border.

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statements from a recently captured prisoner, alludes to Communist planning for strong attacks soon in the provinces to the north and northwest of Saigon, although heavy assaults on the capital itself have again been postponed. In its general outline, this planning parallels recent reports of enemy plans elsewhere, which state that the timing of an offensive against their main objectives depends on

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the success of current preparatory campaigns.

Political Developments
in South Vietnam

Several symptoms of the chronic ills that plague the Vietnamese body politic seem to be resurfacing in Saigon, and President Thieu will probably have to move to remedy the situation.

The rivalry between supporters of Vice President Ky and Prime Minister Huong has again erupted in public. Charges are being traded over Huong's approval of the recent dismissal from their Saigon jobs of 12 members of the Paris peace delegation who are considered loyal to the vice president. In addition, the assassination of Education Minister Le Minh Tri, a southern nationalist and close associate of Huong, has provoked regional antagonism among young Lower House deputies along north-south, or Ky-Huong, lines. Eight National Assembly members have publicly charged that the murder was the work of "members of a political organization" whose acts are directed against "southern nationalists," a thinly veiled attack on Ky and his northern supporters. These outbursts threaten to undermine the unity that followed Thieu's refusal to join the Paris talks in early November.

Meanwhile, the government's long-time political foes, the militant Buddhists, have report-

edly helped organize a student organization to agitate for peace and call for the legalization of the National Liberation Front. In addition, labor unrest, mostly aroused by an increase in the cost of living, has led to some strikes and may lead to more, a development that could further dislocate the already inflated economy.

* * *

The South Vietnamese Government and the Viet Cong have both intensified the competition to extend their political control--or claims of control--over the population in the villages.

The South Vietnamese Government has plunged ahead with its Accelerated Pacification Program, registering at least initially successful results by entering hamlets where there has been no government presence. The percentage of hamlets entered out of those targeted has been substantial, and the Phoenix Program, organized to eliminate large numbers of "infrastructure" personnel, reports good progress.

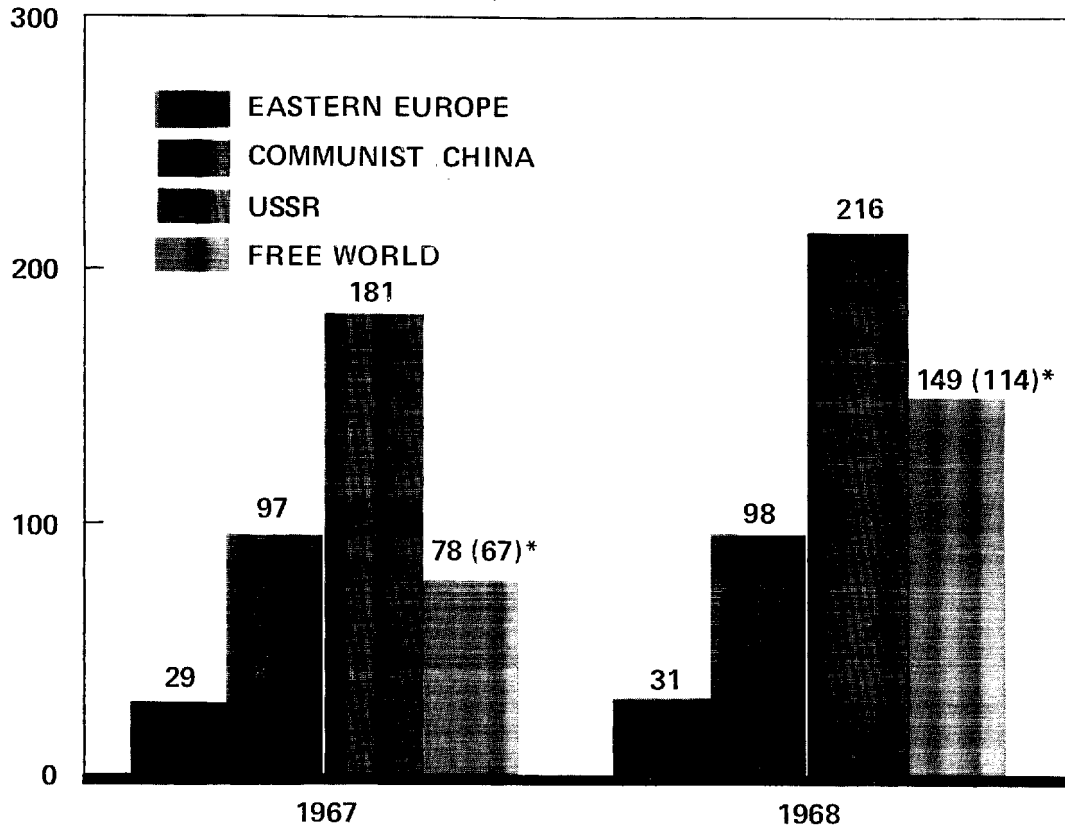
The initial successes scored by the Accelerated Pacification Campaign have occurred during a period in which the Communists have not been able to contest it fully because over half their main force units were in border areas or out of country. The Communists are now returning many of their military units to South Vietnam, however, and if they launch another series of major

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North Vietnam: Foreign-Flag Ship Arrivals



*Numbers in parenthesis indicate British flag out of Hong Kong
Note: 1 Cuban ship arrived in 1967, 6 arrived in 1968

Identified Seaborne Imports

Thousand Metric Tons	1967	1968
Petroleum	247	384
Foodstuff	462	792
Fertilizer	150	156
Timber	13	26
Miscellaneous and General	546	607
Total	1,417	1,966

Components may not add to total due to rounding

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SHIPPING TO NORTH VIETNAM UP SUBSTANTIALLY IN 1968

Seaborne imports to North Vietnam during 1968 increased by almost 40 percent over 1967. The increase was caused mostly by a rise in food and petroleum shipments from the USSR and China.

Large amounts of flour and rice were delivered last year to supplement the below-average harvests in North Vietnam during the past several years. Foodstuffs in 1968 represented about 40 percent of total North Vietnamese imports, compared with 33 percent in 1967. Petroleum deliveries increased 56 percent over deliveries in 1967, probably as a result of increased consumption.

The USSR continued to be the largest source of North Vietnamese imports, accounting for 43 percent of the total. Wheat flour and petroleum deliveries from Soviet Far Eastern ports grew while shipments from ports on the Black Sea were slightly lower than in 1967.

Deliveries from Communist China again accounted for 36 percent of North Vietnamese imports. The tonnage carried aboard Chinese ships declined, however, while that carried aboard free world ships chartered by China rose. As a result, total deliveries by free world ships, most of which carried cargoes originating in China, were significantly higher in 1968.

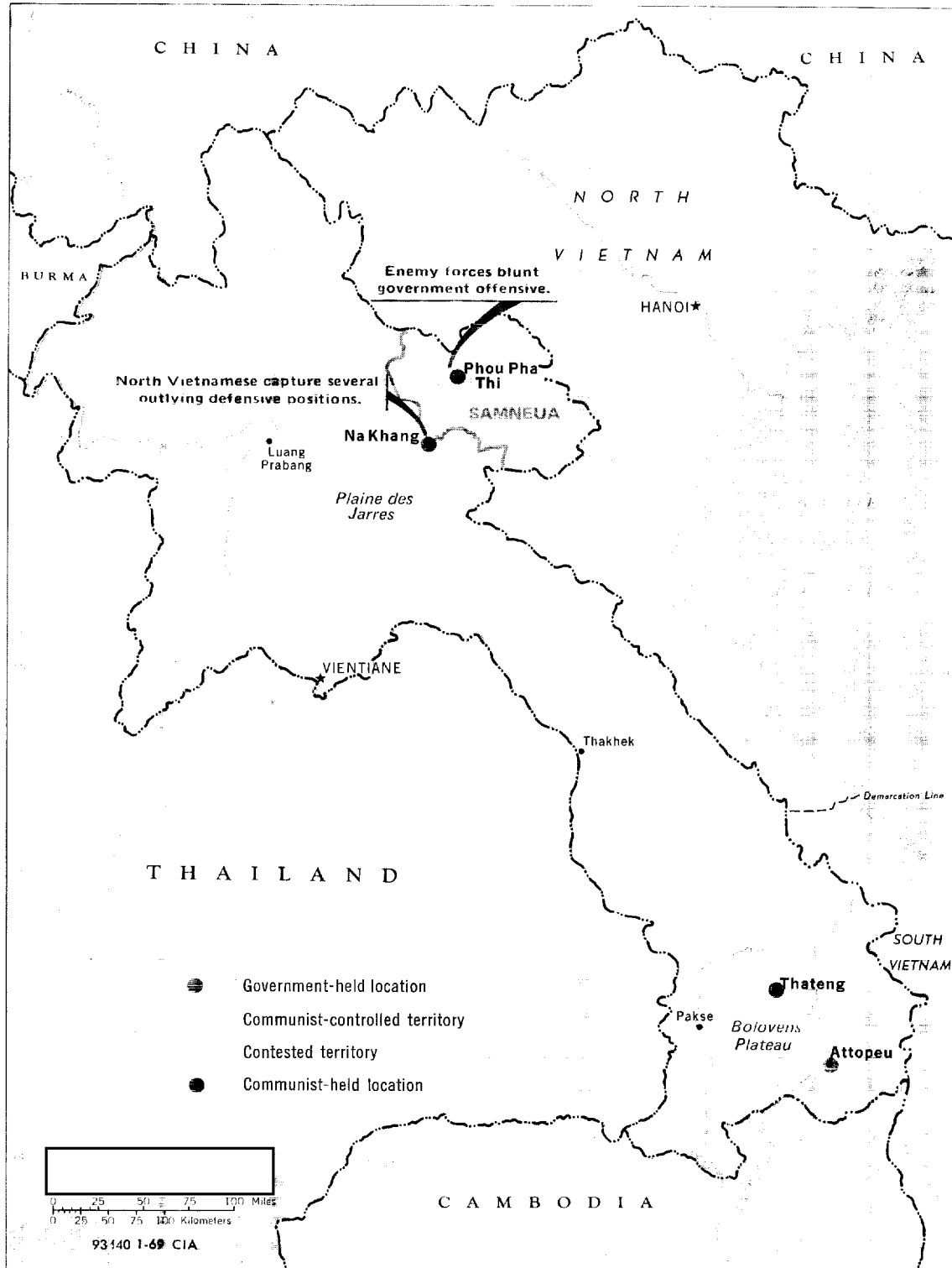
The great majority of free world ships were British flag ships out of Hong Kong, owned by firms believed to be under Chinese Communist control or heavily dependent on Chinese business. Cargo deliveries aboard East European ships also were up last year.

North Vietnamese exports increased 21 percent from 1967 to 1968. The traditional exports of pig iron and cement were not shipped abroad last year, and miscellaneous and general cargo declined, but coal exports increased by 45 percent. The growth in coal exports probably stemmed mainly from the repair of coal handling facilities. Although coal exports are expected to continue to increase in 1969, they nevertheless will probably remain about one third below pre-war levels.

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LAOS: Current Situation



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COMMUNISTS CONTINUE OFFENSIVES IN LAOS

The Communists have turned the tables on government forces in northern Laos, while in the south the enemy offensive has stalled following the Thateng battle.

The government's offensive against Phou Pha Thi has faltered badly in the face of strong enemy resistance. Stiffened by the arrival of fresh North Vietnamese troops, enemy forces have overrun several key government positions and have pushed friendly guerrillas off the crest of Phou Pha Thi itself.

The Communists are also threatening to outflank government operations in Samneua Province by moving against the key guerrilla base farther south at Na Khang. At least three North Vietnamese battalions have moved into the area in recent weeks and have captured several outlying defensive positions. In addition, the Na Khang airstrip, on which the base depends for support,

has come under mortar attack in recent days.

Last year, the Communist campaign against Na Khang came too late in the dry season to be carried through to completion. The government had hoped that its current Phou Pha Thi operation would force a similar delay on the enemy this year. The loss of Na Khang would be a severe setback to government guerrilla operations in the northeast.

In the south, fighting has tapered off around the Bolovens Plateau since the Communists' costly setback at Thateng. Large numbers of North Vietnamese troops still remain in position along several fronts, however, and are capable of renewing attacks with little notice. The enemy has tightened the noose around the beleaguered provincial capital of Attapeu in recent weeks, but a major assault against the 1,100-man government garrison does not appear imminent.

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EUROPE

Soviet diplomats were active on a variety of fronts this week. Word leaked out in Bucharest that a Warsaw Pact summit meeting would be held in January, possibly in conjunction with a CEMA meeting. Both would be aimed at tightening the bonds on the Eastern European nations.

A meeting of the French-Soviet "Grande Commission" resulted in a commitment to reach a long-term agreement aimed at doubling trade between the two countries by 1974. The Soviets wanted to use the meeting to demonstrate that relations had returned to normal and were pleased to extend the discussions to political subjects—notably the Middle East.

In fact, Moscow showed a high interest in keeping up the momentum generated by its 30 December "peace plan" for the Middle East. The "plan" has now been widely disseminated and, except by Israel, rather favorably received. It remains to be seen, however, if Moscow is willing to modify its "plan" enough to make it acceptable to all concerned.

The Soviets trained their propaganda guns on the NATO military exercise scheduled for the end of January near the West German - Czechoslovak border. They went to some lengths, however, to absolve the incoming administration of blame for starting off with this "threatening" move. This Soviet desire not to prejudice relations with the new administration has come through in other ways as well.

The West Germans made it known that they want a round of talks with the incoming administration on the Non-Proliferation Treaty. They have misgivings on Soviet intentions and want to get some Soviet "concession" before signing the treaty, such as an exchange of declarations on the nonuse of force. Bonn evidently wants US support for its position, but will pursue the matter directly with Moscow in any case.

In Czechoslovakia, the Dubcek leadership inched closer to forming a new administration satisfactory to the Slovaks and acceptable to the USSR. While there still are anxious days ahead because of threatened strikes and student demonstrations, the protagonists in the political drama seem to have worked out an acceptable solution supported by the central figure and cause of contention, National Assembly President Josef Smrkovsky. The leadership will probably make its final decisions within the next ten days.

[REDACTED]

[REDACTED]

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CZECHOSLOVAK LEADERS TAKE STEPS TO AVERT DISTURBANCES

Anxiety and confusion have been evident in the Dubcek leadership as it has wrestled with the complex and potentially explosive problems associated with federalization and the formation of a new administration satisfactory to the Czechs and the Slovaks.

By 9 January, however, there were signs that Dubcek might be able to resolve his domestic difficulties without serious repercussions in the party and among the population.

A key problem has been that of dealing with National Assembly President Smrkovsky, a progressive well known for his opposition to cooperation with the USSR. Moscow clearly has wanted him ousted. The Slovaks have been insisting that one of them should fill his post if there is to be a fair nationality balance in the top leadership. On the other hand students and workers, some one million strong, have threatened a general strike if Smrkovsky is removed.

Dubcek and his party colleagues have come up with a solution that may head off mass demonstrations and strikes by recommending that Smrkovsky take a half-step down to the newly created post of first vice president of parliament. Petr Colotka, a Slovak moderate, would become the new assembly president. The party presidium also nominated Smrkovsky to head one of the new parliament's two chambers, the Chamber of the People. Dalibor Hanus, a liberal Slovak economist,

was proposed as the chief of the other, the Chamber of Nations.

The leadership apparently hopes that these compromise proposals will be considered as bringing only a slight change in Smrkovsky's political standing and thus ease the tensions that arise from the question of his future.

Smrkovsky, aware of the dangers in the situation, used a nationwide broadcast on 5 January to dissociate himself from the campaign on his behalf and to urge his supporters to refrain from demonstrations. Furthermore, Smrkovsky told officials of the Czechoslovak metal workers' union, whose 900,000 members had threatened a pro-Smrkovsky strike, that he fully endorsed the idea that a Slovak should replace him as head of parliament.

The Czechoslovak population apparently sees in Smrkovsky's future the fate of the remnants of the liberal reform program. The party's leaders have been warned in effect not to make any more concessions to the Russians.

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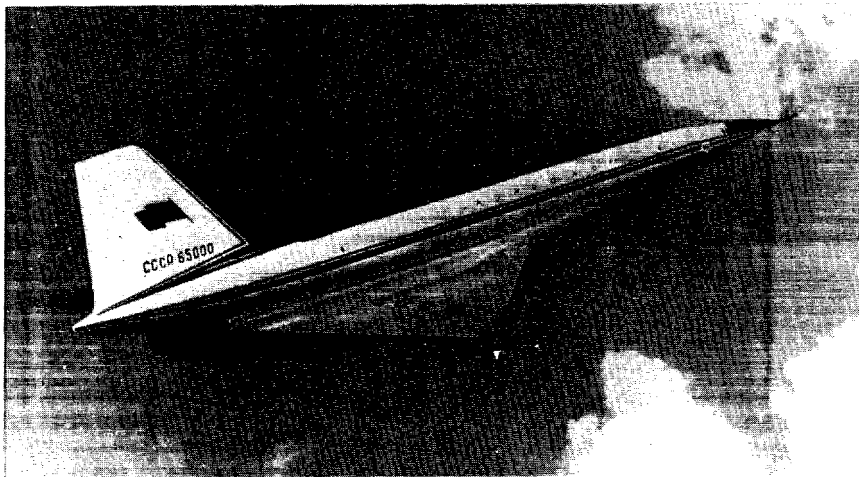
The uncertainty and consequent public dissatisfaction may drag on until the new federal assembly meets and takes action, possibly within the next ten days.

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SOVIET SUPERSONIC TRANSPORT MAKES FIRST FLIGHT

The initial test flight on 31 December of the USSR's supersonic transport, the TU-144, barely kept the promise of the Soviets to get the plane into the air in 1968. The Soviets harvested considerable international publicity, however, by beating the Anglo-French Concorde, which now is scheduled to fly in February.



MODEL OF SOVIET TU-144

The TU-144's eventual performance capabilities are unknown, but even if the design turns out to have a high aerodynamic design efficiency, the plane is unlikely to perform as advertised. The Soviets have announced that the TU-144 is capable of a speed of 1,350 knots, that it has a range of 3,500 nautical miles, and that it will carry 120 passengers. Production-run models more likely will have a speed of about 1,300 knots and a range of no greater than 2,500 miles. Reducing the passenger or cargo payload will not permit the range to be extended significantly because space for additional fuel is not available.

The TU-144 will not be capable of nonstop trans-Atlantic flights, the minimum range required for supersonic transports designed in the West. Although the Soviet craft will easily be able to reach European capitals from Moscow, the effect of sonic boom on heavily populated areas is still uncertain. The TU-144 may be restricted to internal

flights in the USSR and international flights to countries that do not subscribe to the stringent noise and safety restrictions imposed by the US and many other nations.

Moscow has announced that the TU-144 will begin scheduled passenger service in 1970 or 1971, but one Soviet scientist recently admitted privately that 1972 or 1973 is a more likely starting date. Prototype models can be expected to appear sooner in the West at international exhibits such as the Paris Air Show.

Like the Concorde, which has a very similar design, the TU-144 has run into weight and wing-design problems. Although the Soviets are willing to tolerate uneconomical operation to achieve propaganda and prestige advantages, the plane's potential to attract foreign orders is minimal.

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HUNGARIAN ECONOMY PROGRESSES SLOWLY UNDER REFORM

Although 1968 was not a banner economic year, Budapest apparently is satisfied with the country's progress during the first year of the reform program. National income and consumption increased at planned rates, and there was no appreciable inflation or unemployment. The consumer fared well as real income rose by five to six percent, and some reduction took place in the work week.

On the negative side, however, poor quality products and low labor productivity recently were cited by the Council of Ministers as chronic major problems that continued during 1968. In addition, investment exceeded plans and strained the supply of capital goods, production of unsalable items continued, and difficulties were encountered in increasing exports to hard-currency areas.

The New Economic Mechanism, Hungary's economic reform program, did not cause a major setback to the economy, as some party members had feared. Although the program provides that prices of most consumer goods can fluctuate, either freely or within

limits, prices in 1968 did not rise significantly.

Under the reform, enterprises were given a degree of freedom to make their own decisions on hiring and firing personnel, on wages, and on certain prices. Last year, the increased share of profits that plants were allowed to retain for reinvestment, together with a greater volume of bank credits, became the principal sources of investment funds.

The relatively cautious reform will be continued and further implemented at local levels this year. The party probably will concentrate on modifying current restrictive regulations, such as granting tax advantages for exporters and freeing additional prices, rather than undertaking new programs.

The government recognizes that it will take time to remedy Hungary's basic economic problems. Budapest thus has made it clear that its policy will be to implement modest reforms, which can be modified prudently as conditions require.

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MIDDLE EAST - AFRICA

The Middle East armaments situation has been further complicated by press reporting late in the week that Israel will soon have an effective nuclear capability. The week witnessed the usual daily firing incidents along the Jordan-Israel border, but the focus of attention has been Lebanon. Lebanese politicians are increasingly discouraged over their inability to interdict terrorist activities, the Israelis are frightening them with frequent overflights in southern Lebanon, and a cabinet change is in the works. The Israelis suffered a blow when President de Gaulle decreed a total embargo on French supplies of weapons and spare parts.

In Pakistan, representatives of most of the opposition parties have announced formation of a united movement. Their program generally avoids specific proposals in order to protect the fragile unity that has been created but does call for a boycott of upcoming national elections unless existing political restrictions are modified. Former air force chief Asghar Khan, a leading spokesman for the opposition, again demonstrated his popular appeal when Karachi gave him one of the largest receptions in the city's history.

The recessed intercommunal talks on Cyprus are due to reopen on 20 January. In talks in Athens on 5 January, Greek Premier Papadopoulos again urged on Cypriot President Makarios the necessity for speed and compromise in the talks.

In Nigeria, there has been no major change in the military stalemate, although the Biafrans have cut off federal forces in the important road-junction town of Owerri and are mounting a sustained counterattack there. The Biafran arms airlift has picked up again after a lull during the holidays, but the secessionists are still undergoing transportation problems. Tension remains high in Nigeria's Western State where war-weariness and antigovernment sentiment are growing.

Turkey's economy suffered a serious blow in the floods that inundated much of the fertile Cukurova Plain on 26-28 December. About half the local wheat crop was lost, and a refinery at Mersin which supplies about two thirds of the country's POL requirements will be out of production for a month, threatening a serious fuel shortage during the mid-winter period. [REDACTED]

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NEW POLITICAL MOVES FURTHER COMPLICATE MIDDLE EAST SCENE

Lebanon remained the focus of activity in the Middle East during the past week, but the usual daily exchanges of fire continued along the Jordan-Israel frontier.

The danger of another major incident between the Israelis and the Lebanese remains high. Lebanese authorities are increasingly discouraged over their obvious inability to keep the terrorists completely under wraps, particularly in view of growing public criticism of the government's failure to act effectively during the Israeli attack on the Beirut airport. Frequent Israeli overflights of southern Lebanon are continuing, and the cabinet is frantically trying to decide on whom to lay the blame. Prime Minister Yafi publicly offered his resignation on 6 January, and former premier Rashid Karami has been invited to form a new government.

President De Gaulle dealt a blow to Israel by his announcement on 7 January of a total embargo on military hardware, including spare parts, to the Israelis. The move was probably taken primarily in an effort to force the Israelis into a more flexible attitude regarding peace negotiations, but it also seems likely that it was in part an emotional reaction to the Israeli raid against Lebanon, a former French mandate.

Although the French had already denied Israel delivery of 50 Mirage aircraft contracted for before the June 1967 war, they now will refuse spare parts for the French aircraft already in Israel. Israel's aircraft industry produces a wide variety of spare parts, but no engines. Of Israel's current inventory of 258 fighter aircraft, 228 are French-built.

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TOURÉ JITTERY OVER GUINEAN ARMY'S LOYALTY

The leadership of Guinea's self-proclaimed revolutionary regime has been badly shaken by the military coup in neighboring Mali in November. Aware of Guinea's isolation as the last bastion of radical socialism in West Africa, President Sekou Touré is obviously worried over the loyalty of his own army and fearful that

antiregime elements may take advantage of the psychological climate created by the Malian coup to exploit long-standing internal discontent.

Touré has been on the political hustings almost daily for the last six weeks in an all-out campaign to promote loyalty to his

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government. Reiterating the standard warning that foreign enemies are out to sabotage "Guinea's revolution," he has organized a series of meetings with all important elements of society--women, youth, the party, and the army--in order to exhort them to guard against "counter-revolutionaries." The meetings were capped by a mass demonstration of support for Touré in Conakry on New Year's Day.

Touré is also making a major effort to neutralize any potential opposition that may exist in the army. In mid-December, all military units in the Conakry area were marched en masse to the presidential palace in a staged demonstration of support. Addressing the troops, Touré announced that the army would cease to be a separate entity and that legislation was being prepared to incorporate it formally into the civil service. He indicated that the army would henceforth be extensively engaged in programs designed to further Guinea's economic development. Concomitantly, he also ordered the formation of party committees within all army camps to create increased "political awareness" among military personnel.

Touré's moves to emasculate the army are clearly a calculated risk, and conceivably could provoke exactly the reaction he is seeking to avoid. Already, rumors allege that troubles have erupted between military and civilian authorities. Not surprisingly, many officers are said to oppose the establishment of political committees, contending they will weaken discipline and interfere with the military chain of command. Some officers are reported to have been arrested and the army chief of staff and his deputy temporarily detained for voicing objections.

Although there is no hard evidence of plotting, some anti-government tracts have appeared in Conakry, and there are tenuous indications that Touré may be losing some of his charismatic appeal. If an opposition group exists in the army, it most likely centers around older, French-trained officers and noncoms who, in addition to being concerned with preserving the army's integrity, may be dissatisfied with the chaotic state of the economy as well as Touré's militant socialism. 25X1

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WESTERN HEMISPHERE

A crude and unsuccessful attempt by Venezuela to enforce its claim to half of neighboring Guyana by covertly supporting an insurrection highlighted events in Latin America during the first week of the new year. Caracas has of course denied any involvement in the affair and is now trying to back out of the debacle gracefully. Its desire to recover "Guyana Essequibo" remains as strong as ever, however.

Brazil's leadership quandry remains unresolved. The government appears to be dividing into two camps—for and against President Costa e Silva. Many officers are unhappy with his failure to make fuller use of the broad dictatorial powers he assumed last month, and they are particularly anxious to crack down on "corrupt and subversive" judges, educators, and newsmen. If harsh repressive measures are to be taken, the National Security Council will have to approve them—probably at its meeting on 16 January. Pulling and hauling among the generals prior to the meeting is likely, and the prospects for stabilizing Brazil's leadership will dim accordingly. If the President resists these measures, his options may be reduced to cooperation or replacement.

After months of political inactivity, the opposition in Guatemala has begun preparing for the presidential elections of 1970. The leftist-oriented Christian Democrats have named their slate, [REDACTED]

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[REDACTED]

The second decade of Fidel Castro's rule in Cuba began with the largest mass escape into the US naval base at Guantanamo in history. On 6 January, 86 refugees succeeded in reaching safety; another 30 were captured by Cuban security forces before they could scale the base perimeter fence. The mass exodus was prompted by Cuba's continuing domestic economic difficulties. The number of "fence-jumpers" has increased steadily from 37 in 1964 to 1,005 in 1968. [REDACTED]

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PANAMA NATIONAL GUARD STRESSES REVOLUTIONARY IMAGE

Panama's military leaders are attempting to advance some of the reformist goals of the three-month-old junta government, probably to give an aura of legitimacy to their assumption of power.

After closing the University of Panama on 14 December to revamp its educational system, the junta last week turned to the problem of corruption [REDACTED]

A number of officials formerly in the Robles administration were arrested on embezzlement charges and the National Guard reportedly is investigating additional cases.

Although not altogether dissatisfied with the clean-up campaign, some prominent business leaders are worried about the guard's arbitrary methods, fearing possible adverse effects on business confidence and investment. More skeptical observers see the arrests as additional evidence of the guard's intention to eliminate all opposition and to discredit politicians in order to prolong military rule.

The guard's increasingly tight control over most aspects of day-to-day administration has fed rumors of an impending cabinet shake-up. The continued interference of military leaders Torrijos and Martinez in ministerial functions appears to be undermining the authority of some civilian ministers. The meddling may be indicative of the colonels'

distrust of civilian participation in government and of their determination to maintain a pre-eminent influence in decision-making.

Although some reform-minded Panamanians view recent government actions as laudable, there is widespread concern over the diminution of chances for an early return to constitutionalism. The junta has pledged elections of some sort by 1970, but there are indications that it plans little more than a plebiscite allowing voters to choose a provisional president from several hand-picked candidates. [REDACTED]

The guard is already taking advantage of its position to build up its own forces. It has established a small air force [REDACTED]

Guard leaders are also seeking sources abroad for additional military hardware. Moreover, new promotions have been authorized recently, probably to allay any fears within the guard that it was not faring as well as its leaders. [REDACTED]

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DOMINICAN PRESIDENT MAKES KEY PERSONNEL SHIFTS

Dominican President Balaguer has opened the new year with a number of carefully calculated personnel changes designed to remove several controversial officials without altering the essential political balance he has maintained among his subordinates. In addition, Balaguer apparently intended to signal potential rivals for power that he remains in firm control of the government.

Balaguer's most significant move was the dissolution of Colonel Ney Tejeda's informal but influential "special intelligence service" headquartered in the National Palace and the assignment of the colonel to an overseas sinecure.

In recent months, Tejeda appears to have taken several unauthorized political initiatives that may have triggered Balaguer's move. In an apparently related action, one of Tejeda's protegés, who headed the police secret service, was also sacked.

Although Tejeda has long been considered an ally of Colonel Neit Nivar, the army strong man who commands troops in the capital area, Nivar reportedly approved of Tejeda's ouster. Nivar implied that Tejeda's own political ambitions have been growing and he may have seen him as a potential rival. Nivar himself seems satisfied with his present power position--he has recently established his own military fiefdom on the outskirts of Santo Domingo--although he continues at odds

with the minister of defense, General Perez. Several second-echelon military assignments made by Balaguer during the current shuffle seem designed to keep the Perez-Nivar balance essentially intact.

Balaguer's downgrading of several civilian associates of Vice President Lora seems aimed at cautioning the vice president against pushing his aspirations for the presidency in 1970 too far too soon. Balaguer cushioned the impact of this action, however, by removing one official who has long been a target of Lora's criticism.

Balaguer's replacement of his civilian interior minister--who has titular control of the police--with a trusted but otherwise undistinguished military officer may partly be designed to provide a check on the activities of the police force. The police have often been surrounded by controversy and recently some officers were implicated in clandestine arms traffic.

In making the changes at this time, Balaguer may have wanted to consolidate his position prior to implementing his previously announced decision to drop the ban on the re-entry of exiled General Wessin on 10 January.

A recent military communiqué stressing the "apolitical nature" of the armed forces also seems calculated to warn military officers to stay away from Wessin following his return.

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SECRET SUMMARY

10 Jan 68

SECRET

CUBA CELEBRATES TENTH ANNIVERSARY OF ITS REVOLUTION

In an address marking the tenth anniversary of his accession to power, Fidel Castro indicated that continued austerity and increased labor demands were in store for the Cuban people. His announcement of sugar rationing followed by less than a month a government decree adding cigars, cigarettes, and tobacco products to the ration list. The harassed Cuban consumer can probably expect no significant amelioration of shortages and hardships for the next year or so.

Speaking on 2 January before an estimated million Cubans gathered in Havana's Revolutionary Square, Castro claimed that the hardest years of the revolution were past. He quoted an assortment of statistics to show that Cuba was better off economically than the rest of Latin America, but gave no indication that austerity measures now in effect would be relaxed in 1969. He did say, however, that food production will increase this year. Although he had promised on 2 January 1968 that this year's celebrations would be highlighted by a military parade, the review was canceled in order to save fuel.

The continued scarcity of food and consumer goods in recent years has been accompanied by a sharp increase in the number of "fence-jumpers," people fleeing the country by way of the

GUANTANAMO "FENCE-JUMPERS"

1964 -	37
1965 -	72
1966 -	138
1967 -	515
1968 -	1,005

25X1

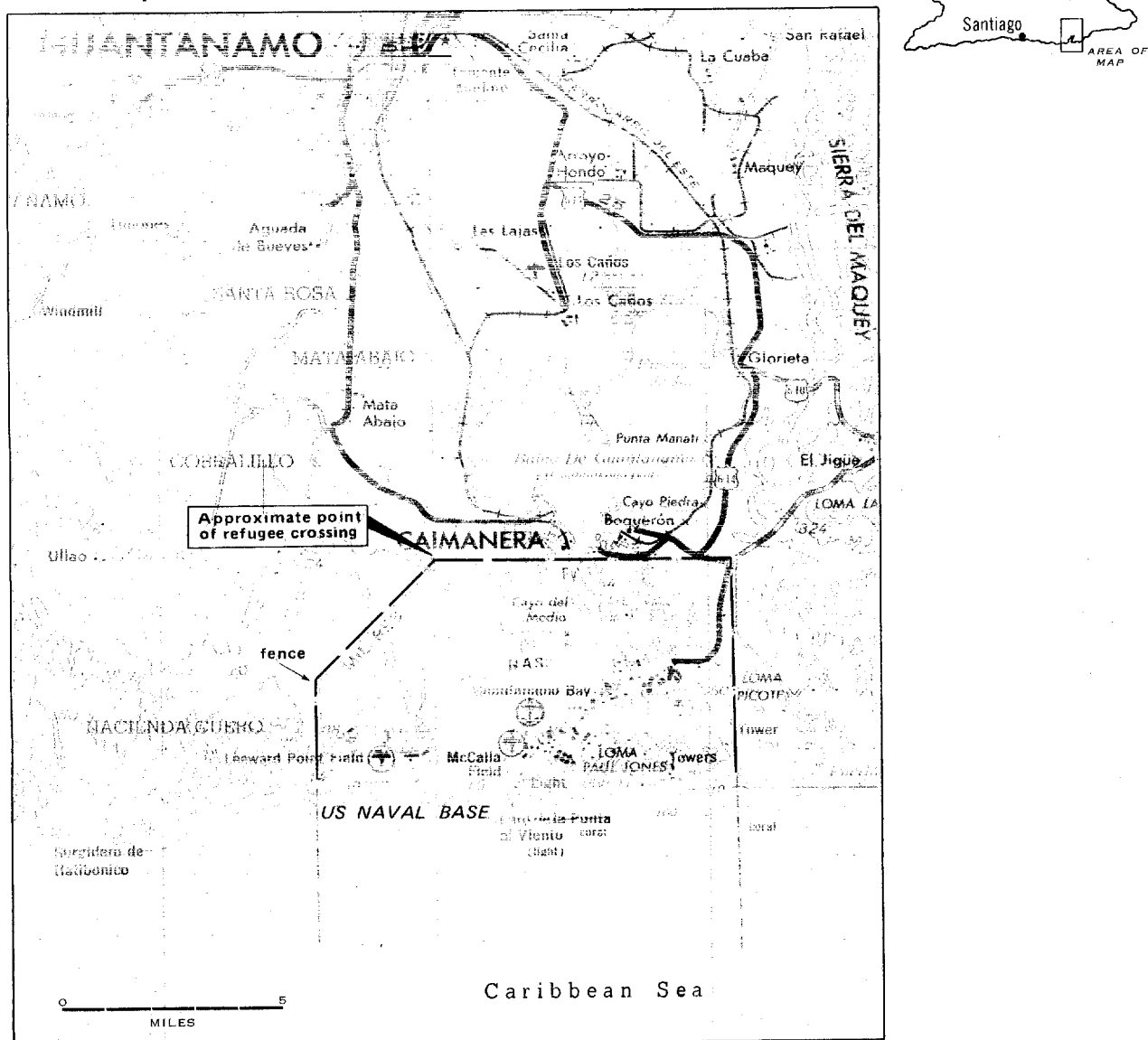
Guantanamo Naval Base. This trend continued into 1969, when a mass escape involving about 120 people was attempted at dawn on 6 January. Eighty-eight refugees made it safely in spite of gunfire from Cuban soldiers on guard, but the remainder of the group--including at least three who had been shot--were taken into custody by the security forces. The magnitude of the escape--the largest at the base to date--will probably cause Havana to bolster significantly the strength of the Frontier Brigade--the army unit charged with maintaining fence-line security.

Unless the rationing of sugar is much more strict in practice than was announced by Castro, its impact on the population will not be severe. although Cubans are noted for their high per capita consumption--estimated at more than nine pounds per month--the announced ration of six pounds per month per person drew no adverse reaction from the audience.

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Cuban Group Flees into US Guantanamo Base



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Only in his closing remarks did Castro touch on international affairs. He denounced the Venezuelans for their seizure of a Cuban fishing boat in December and pointedly reflected on the vulnerability of Venezuelan airliners overflying Cuba. He later outlined briefly his suspicions regarding the attitude of the US President-elect toward Cuba, and then made a few perfunctory comments about Vietnam.

Castro also took time for warm praise of the Soviet Union for its economic and military aid to Cuba, and acknowledged that Cuba does not pay for the arms supplied by the Soviet Union. His subsequent statement that Cuba must continue building military installations and fortifications may presage a new round of military deliveries; no shipment of arms to Cuba has been made since February 1968. [REDACTED]

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VENEZUELAN PLOT TO ANNEX HALF OF GUYANA FOILED

A crude Venezuelan operation to annex half of Guyana's territory has failed.

Ranchers and Amerindians directed by Venezuelan military personnel attacked the border town of Lethem on 2 January. They took the town and other nearby points, but the Guyanese Defense Force sent planeloads of men to the defense and by 6 January the government regained virtual control.

Venezuela claims over half of Guyana's territory and probably manufactured the revolt in an attempt to demonstrate that the Guyanese Government cannot exercise sovereignty in the area. Caracas has denied it was involved, but a captured rebel has implicated the Venezuelans. Guyana's Prime Minister Burnham has publicly branded the rebellion a Venezuelan operation.

The Venezuelans did not respond to rebel calls for help after the revolt broke out. They may be sincere in their wish to back out of the present debacle, but the desire to recover "Guyana Essequibo" remains strong.

The Guyanese have sent Venezuela a note saying they will take every opportunity to bring its actions to the attention of the international community and expressing "disgust at this most recent attempt by Venezuela to advance its spurious territorial claims under cover of subversion and terrorism." Venezuela angrily rejected the note as "gross and undiplomatic," further straining relations--perhaps to the breaking point. [REDACTED]

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Insurrection Quelled in Disputed Guyana Region



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